

IN THE UNITED STATES DISTRICT COURT FOR THE WESTERN
DISTRICT OF PENNSYLVANIA

WRS, INC., d/b/a WRS)	
PICTURE LABORATORIES, a)	
corporation)	
)	No. 2:00-CV-2041-AJS
Plaintiff,)	
)	
v.)	
)	
PLAZA ENTERTAINMENT, INC., a)	
corporation, ERIC PARKINSON, an)	
individual, CHARLES von BERNUTH, an)	
individual and JOHN HERKLOTZ, an)	
individual)	
)	
Defendants)	

EXCERPTS OF DISCOVERY MATERIALS

1. Excerpt from Answers to Interrogatories made by Plaintiff WRS
2. Handwritten account records of National Bank of Canada Lockbox
3. Schneider Downs Report of October 6, 2006
4. Excerpts of the Deposition of Jack Napor

Respectfully submitted,

/s/ James R. Walker
James R. Walker, Esquire
Pa I.D. # 42175
jwalker@mmlpc.com
Alexandra P. West, Esquire
PA I.D. # 84903
awest@mmlpc.com
Manion McDonough & Lucas, P.C.
600 Grant Street, Suite 1414
Pittsburgh, PA 15219
(412) 232-0200
Attorneys for Defendant Charles Von Bernuth

Date: October 16, 2007

13. Please state the consideration given to Mr. Herklotz in return for his execution of the document attached to the Complaint as Exhibit "B".

ANSWER:

Not applicable.

14. Please state the dates and places of filing, if any, of the UCC financing statements attached to the complaint as Exhibits C-1 and C-2. If the financing statements have never been filed, please state the reason(s) why said financing statements were never filed.

ANSWER:

California - 6/16/98 at 8:00 a.m.

Pennsylvania - 6/15/98 at 11:37 a.m.

15. Please state what arrangements, if any, were made to establish a lockbox account, as called for in the Services Agreement attached as Exhibit "D" to the Complaint.

ANSWER:

A lockbox was established on behalf of Plaza Entertainment by WRS with the National Bank of Canada.

16. In addition, please state for each lockbox account referred to above:
- a. The date each account was established;
 - b. The financial institution at which each account was established;
 - c. The date and amount of each deposit to each account; and
 - d. The date and amount of each disbursement from each account and the name of the person or entity to which the funds were given.

ANSWER:

- a. April 7, 1999;
- b. National Bank of Canada;
- c. See attached schedule;
- d. See attached schedule.

17. Please state all amounts billed to defendant(s) for services rendered by WRS to Plaza pursuant to the Services Agreement attached as Exhibit "D" to the Complaint, the date on which said amounts were billed, and the services for which those amounts were billed.

ANSWER:

Seventeen (17) months @ \$5,000.00/mth = \$85,000.00

Services performed include order processing, invoicing, collections and customer service.

Plaza

LA Lock Box

WRS Inc. For Plaza Entertainment - 124217

Report Date	Total Lock Box	WRS Amount	Invoice Paid	Plaza Entertainment	Date Posted
13-99	453.50	226.75	175711	226.75	7-20-99
14-99	956.96	478.48	175711	478.48	7-16-99
22-99	2355.50	1177.75	175711	1177.75	7-23-99
27-99	304.91	152.46	175711	152.45	7-27-99
28-99	332.70	166.35	175711	166.35	7-29-99
tal (July) \$4,403.57		\$2,201.79		\$2,201.78	
6-99	1,744.86	872.43	175711	872.43	8-9-99
18-99	1,000.00	500.00	175711	500.00	8-19-99
25-99	6,302.42	3151.21	175711	3151.21	8-26-99
tal (August) \$9,047.28		\$4,523.64		\$4,523.64	
20-99	712.00	356.00	175711	356.00	9-21-99
tal (September) \$712.00					
4-99	84.60	42.30	175711	42.30	10-5-99
15-99	123.22	61.61	175711	61.61	10-18-99
tal \$207.82 (October)					
3-99	800.00	400.00	175711	400.00	11-24-99

Report Date	Total / Subtotal	WRS Amount	Invoice Paid	Plaza's Amount	Date Posted
12-27-99	\$1,000.00	500.00	175711	500.00	12-28-99
12-29-99	\$1850.75	925.38	175711	925.37	12-30-99
1-14-00	\$400.00	200.00	175711	200.00	1-18-00
2-1-00	2,876.64				
2-29-00	25.00				
3-6-00	164.55				
3-9-00	85.95				
3-13-00	1.00				
3-20-00	521.41				
4-5-00	45.60				
4-10-00	1.00				
4-28-00	798.89				
5-2-00	5,497.50				
5-8-00	66.28				
5-12-00	300.00				
5-16-00	1,086.25				
6-1-00	659.64				
6-5-00	74.41				
6-7-00	351.00				
6-12-00	12,751.19				
6-15-00	8.71				
6-20-00	297.55				
6-23-00	250.00				
6-26-00	124.50				
7-6-00	129.86				
7-7-00	45.14				
7-10-00	1.00				
7-24-00	230.87				
8-1-00	78.93				
8-4-00	421.89				
8-22-00	46.08				
8-21-00	279.35				

Lockbox Date	Total
9-11-00	514.01
9-18-00	1.00
9-27-00	1,336.50
10-4-00	124.54
10-11-00	1,797.75
10-24-00	5,658.00
10-31-00	62.56
11-21-00	2,345.70
11-27-00	67.50
12-20-00	253.33
12-6-00	355.88
12-27-00	100.94
12-28-00	80.52
1-10-01	572.71
1-17-01	200.20
1-22-01	1,350.00
1-31-01	152.42
2-6-01	206.92
2-14-01	152.51
2-21-01	156.88
2-27-01	453.62
3-8-01	670.56
4-6-01	221.85
4-25-01	1,346.00
4-26-01	1,070.32
5-4-01	634.48

279.350+	0**
514.010+	
1.000+	
1,336.500+	453.500+
124.540+	956.960+
1,797.750+	2,355.500+
5,658.000+	304.910+
62.560+	332.700+
2,345.700+	1,744.860+
67.500+	1,000.000+
253.330+	6,302.420+
355.880+	712.000+
100.940+	84.600+
80.520+	123.220+
572.710+	900.000+
200.200+	1,000.000+
1,350.000+	1,850.750+
152.420+	400.000+
206.920+	2,876.640+
152.510+	25.000+
156.880+	164.550+
453.620+	85.950+
670.560+	1.000+
221.850+	521.410+
1,346.000+	45.600+
1,070.320+	1.000+
634.480+	798.890+
	5,497.500+
	66.280+
	300.000+
	1,086.250+
	659.640+
	74.410+
	351.000+
	12,751.190+
	8.710+
	297.550+
	250.000+
	124.500+
	129.860+
	45.140+
	1.000+
	230.970+
	78.930+
	421.890+
	46.080+

070

65,528.310*



INSIGHT • INNOVATION • EXPERIENCE

October 6, 2006

John P. Sieminski, Esquire
Burns, White & Hickton
Four Northshore Center
106 Isabella Street
Pittsburgh, PA 15212

and

Thomas E. Reilly, Esquire
2025 Greentree Road
Pittsburgh, PA 15220

Re: WRS, Inc. d/b/a WRS Motion Picture Laboratories v Plaza Entertainment, Inc., Eric Parkinson, Charles von Bernuth and John Herklotz

Dear Mr. Sieminski and Mr. Reilly:

In connection with the above-captioned matter, you have asked us to report on the accounts receivable and related revenue and cash receipts cycles at WRS Motion Picture Laboratories ("WRS") from the period April 1998 through December 2000 in order to determine if these accounting functions were operating in the normal course of business, as well as to determine the reasonableness of the outstanding receivable balance of Plaza Entertainment, Inc. ("Plaza Entertainment") as of December 31, 2000.

This report represents our findings to date. We reserve the right to amend, revise or supplement this report should additional information become available or we be asked to perform additional analysis.

Information Relied Upon

In the course of performing our work on this matter, we have relied upon numerous sources of information. These sources are summarized as follows:

- Aged Trial Balance With Options - Detail Receivables Management Report: Reports were provided by WRS to cover the period April 30, 1998 through December 31, 2000. These reports function as the aged account receivable balance and included all transaction



Schneider Downs & Co., Inc.
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Thomas E. Reilly, Esquire
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- postings such as sales invoices recorded and cash receipts applied to outstanding receivable balance.
- WRS invoices for materials sold to Plaza Entertainment for the period April 30, 1998 through December 31, 2000.
 - WRS invoices for finance charges incurred by Plaza Entertainment for the period April 30, 1998 through December 31, 2000.
 - National Bank of Canada Account #609362-001 monthly bank statements for the period July 1999 through December 2000.
 - National Bank of Canada Account #609362 Fund Manager Lockbox Availability Detail Report for the period July 1999 through December 2000. These reports show daily deposits credited to the bank account.
 - Transaction Detail by Account -- January through December 1998: Report was provided by Plaza Entertainment and functions as a detail of the general ledger postings for all accounts at Plaza Entertainment. The accounts payable section of this report was utilized during our procedures.
 - Plaza Entertainment Detail Historical Aged Trial Balance -- Receivables Management Report. Report was provided by WRS and represents the billing WRS was doing on behalf of Plaza Entertainment. Report was dated as of September 4, 2002.
 - Plaza Entertainment invoices prepared by WRS in relation to the Services Agreement.
 - Meetings with John P. Sieminski (or his representative), John Herklotz, Thomas E. Reilly, and John Napor on May 15, 2006, June 5, 2006, and August 29, 2006. Meetings were held at the offices of Burns, White & Hickton in Pittsburgh, Pennsylvania
 - Access to and testing of the aforementioned accounting records and source documents at Burns, White & Hickton on July 31, 2006, August 17, 2006, and August 18, 2006.

Analysis of Information Provided

Based on our understanding of the processes in place at WRS, the accounts receivable and related revenue and cash receipts cycles were analyzed by Schneider Downs & Co., Inc. ("Schneider Downs") in order to determine if these accounting functions were operating in the normal course of course of business as well as to determine the reasonableness of the outstanding receivable balance of Plaza Entertainment as of December 31, 2000.

- **Aged Trial Balance With Options -- Detail Receivables Management Report**

WRS provided monthly "Aged Trial Balance With Options -- Detail Receivables Management Report" for all months between April 1998 and December 2000. Account Number #124217 represents Plaza Entertainment's account receivable detail on these reports. Monthly reports were examined noting the accumulation of sales and payment postings through December 2000. Specifically, the December 31, 2000 report was utilized for testing, as this report had accumulated all detailed transaction postings for the period April 1998 through December 2000. Total account balance as of December 31, 2000 was \$1,270,683.34. Schneider Downs footed this report for mathematical accuracy. No material exceptions were noted in our testing.

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Thomas E. Reilly, Esquire
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- **WRS Motion Picture and Video Laboratory Materials and Finance Charge Invoices**
Schneider Downs selected a sample of both materials and finance charges included on the December 31, 2000 Aged Trial Balance With Options – Details Receivable Management Report for a total sample size of 40 transactions. This sample included the 10 largest sales transactions, 20 random sales transactions and 10 random finance transactions. WRS provided invoice copies as supporting documentation for these transactions. Schneider Downs agreed invoice numbers, descriptions and total charges per the invoice to the Details Receivable Management Report. Additionally, we recalculated the invoices based on quantity and cost per item for mathematical accuracy. No material exceptions were noted in our testing. See EXHIBIT A for testing detail.

- **National Bank of Canada Lockbox Deposits and Payments Received**
WRS provided the December 31, 2000 "Aged Trial Balance with Options – Detail Receivables Management." Using this report, we examined Account #124217 representing Plaza Entertainment's account receivable detail. All transactions marked with "MCBA" or "PYMNT" were extracted from this report. In essence, the extraction represented all payments received into the Los Angeles lockbox -- National Bank of Canada - Acct#609362-001. According to John Napor, WRS representative, of all payments received into the lockbox, one-half (50%) would be retained by Plaza Entertainment and one-half (50%) would be retained by WRS to be utilized to reduce Plaza Entertainment's outstanding receivable balance. As such, Schneider Downs doubled the payment amount noted in the Detail Receivables Management Report and traced the total daily lockbox deposit into both the monthly National Bank of Canada Statement - Account#609362-001 and into a National Bank of Canada Fund Manager Lockbox Availability Detail Report. Schneider Downs noted that, of the 65 total deposits recorded within the account detail from April 1998 through December 2000, 7 deposits could not be traced to National Bank of Canada statements, as these statements were not provided to Schneider Downs by WRS. These cash receipts were shown as reductions to the Account Receivable balance; however, they were not able to be traced to the National Bank of Canada statements.. See EXHIBIT B for testing detail.

- **Plaza Entertainment, Inc. – Transaction Detail by Account**
Mr. John Herklotz provided Schneider Downs with Plaza Entertainment's "Transaction Detail by Account – January 1998 through December 1998." It was represented to us that this report represents the general ledger detail of postings with Plaza Entertainment's accounting system. Specifically, the posting to the Accounts Payable account were examined for transactions with WRS. As only 1998 records were provided, Schneider Downs traced accounts payable transactions recorded by Plaza Entertainment to corresponding invoices sent by WRS for the period April 30, 1998 through December 31, 1998. During this period of time, WRS had presented Plaza Entertainment, Inc with 73 invoices. Of the 73 sent, 41 were agreed to the accounting records of Plaza Entertainment. Schneider Downs was not engaged to verify the accuracy of the accounting records of Plaza Entertainment.

John P. Sieminski, Esquire
Thomas E. Reilly, Esquire
October 6, 2006
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- **Plaza Entertainment Detail Historical Aged Trial Balance Receivables Management Report**

WRS provided a "Plaza Entertainment Detail Historical Aged Trial Balance Receivables Management Report" dated September 4, 2002. This report represents the account receivable for the outsourced billing function that WRS was performing on behalf of Plaza Entertainment. Although this report was dated September 4, 2002, we noted that it only included invoices through December 31, 2000. This report was utilized for testing, since this report had accumulated all detailed transaction postings for the period through September 4, 2002. Total account balance as of September 4, 2002 was \$69,330.79. Schneider Downs footed this report for mathematical accuracy. No material exceptions were noted in our testing.

- **Plaza Entertainment, Inc. Invoices Prepared by WRS in relation to Services Agreement**

Schneider Downs selected a sample of invoices included on the September 4, 2002 Plaza Entertainment Detail Historical Aged Trial Balance Receivables Management Report for a total sample size of 25 transactions. WRS provided invoice copies as supporting documentation for these transactions. Schneider Downs agreed invoice numbers, descriptions and total charges per the invoice to the Details Receivable Management Report. Additionally, we recalculated the invoices based on quantity and cost per item for mathematical accuracy. No material exceptions were noted in our testing. See EXHIBIT C for testing detail.

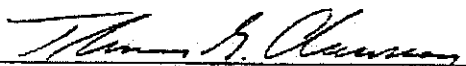
Summary and Conclusion

Based on the procedures that we performed related to this matter, it is our opinion, within a reasonable degree of certainty, that WRS has applied a reasonable basis of accounting related to the accounts receivable, revenue, and cash receipts cycle surrounding the account for Plaza Entertainment and appears to be operating within the normal course of business. Furthermore, the \$1,270,683.34 accounts receivable balance for Plaza Entertainment appears to be reasonably stated as of December 31, 2000.

Very truly yours,



Certified Public Accountants

By: 
Thomas G. Claassen, CPA, ABV, CFE

JDB/laf

Ref.: 24284-04100

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EXHIBIT A

WRS Motion Picture & Video Laboratory
Accounts Receivable Testing
4/30/1998 through 12/31/2000

Transaction Date Per Report	Transaction Type	Invoice #	Invoice Date	Order Number	Work Order Present	Movie Title/ Product	Destination	Quantity	Cost	Freight	Finance Charge	Total per Invoice \$	Total per Report \$	Agree
1 8/31/1999	Sales	204564	8/31/1999	130451	N	Puss in Boots	none listed	10,453.00	\$ 22,765.00			22,765.00	22,765.00	YES
2 8/31/1999	Sales	204563	8/31/1999	130450	N	Puss in Boots	3 individual shipments	50,000.00	105,279.03	\$ 379.25		105,608.25	105,608.25	YES
3 8/31/1999	Sales	204574	8/30/1999	136529	N	Alpha Dura Case	none listed	60,000.00	23,403.12			23,403.12	23,403.12	YES
4 8/31/1999	Sales	203841	8/25/1999	137928	N	Various Titles	none listed	1,519.00	20,952.72			20,952.72	20,952.72	YES
5 8/31/1999	Sales	189138	11/30/1998	127593	N	Ebenezer	Plaza Entertainment	48,807.00	106,140.57	53.00		106,193.57	106,193.57	YES
6 8/31/1999	Sales	185421	10/14/1999	127015	N	Little Monsters	Various	8,077.00	13,870.49			13,870.49	13,870.49	YES
7 8/31/1999	Sales	184724	9/20/1999	126745	N	Sale Kids	None listed	7,500.00	10,433.16			10,433.16	10,433.16	YES
8 8/31/1999	Sales	183064	8/31/1998	123561	N	Jonas Vern Titles	Plaza Entertainment	10,806.00	63,811.40	14,193.29		78,007.69	78,007.69	YES
9 8/31/1999	Sales	177051	5/28/1998	121229	N	Thunder Mountain	Various	69,063.00	120,207.05			120,207.05	120,207.05	YES
10 8/31/1999	Sales	177027	5/28/1998	118247	N	Thunder Mountain	Plaza Entertainment	10,001.00	18,924.77			18,924.77	18,924.77	YES
11 8/31/1999	Sales	176813	5/27/1998	120611	N	Thunder Mountain	38 Various Locations	12,708.00	23,262.10	8,869.45		32,128.55	32,128.55	YES
12 8/31/1999	Sales	176668	5/27/1998	120714	N	Thunder Mountain	23 Various Locations	20,959.00	39,374.60	7,723.31		46,097.91	46,097.91	YES
13 8/31/1999	Sales	176032	5/18/1998	120213	N	Thunder Mountain	Ingram Entertainment	690.00	1,244.40			1,438.69	1,438.69	YES
14 8/31/1999	Sales	176031	5/18/1998	120212	N	Thunder Mountain	Ingram Entertainment	900.00	1,647.00	1,093.60		2,640.29	2,640.29	YES
15 8/31/1999	Sales	176030	5/18/1998	120211	N	Thunder Mountain	Ingram Entertainment	900.00	1,647.00	1,093.60		2,640.29	2,640.29	YES
16 8/31/1999	Sales	175804	5/15/1998	120177	N	Thunder Mountain	Various (4) locations	204.00	373.32	53.48		426.80	426.80	YES
17 8/31/1999	Sales	175803	5/15/1998	120176	N	Thunder Mountain	Star Video	8,000.00	14,640.00	727.42		15,367.42	15,367.42	YES
18 8/31/1999	Sales	175879	5/15/1998	120173	N	Thunder Mountain	Army Air Force Exchange	2,400.00	4,392.00			4,392.00	4,392.00	YES
19 8/31/1999	Sales	175877	5/15/1998	120157	N	Thunder Mountain	Arrow Distributing	1,000.00	1,030.00	239.80		1,269.80	1,269.80	YES
20 8/31/1999	Sales	175876	5/15/1998	120156	N	Thunder Mountain	Ingram Entertainment	600.00	1,098.00	153.35		1,251.35	1,251.35	YES
21 8/31/1999	Sales	175875	5/15/1998	120155	N	Thunder Mountain	Ingram Entertainment	200.00	512.40	74.02		586.42	586.42	YES
22 8/31/1999	Sales	175874	5/15/1998	120154	N	Thunder Mountain	Ingram Entertainment	150.00	274.50	41.98		316.48	316.48	YES
23 8/31/1999	Sales	175873	5/15/1998	120153	N	Thunder Mountain	Star Video	6,000.00	10,090.00	462.37		11,469.37	11,469.37	YES
24 8/31/1999	Sales	175872	5/15/1998	120152	N	Thunder Mountain	Ingram Entertainment	1,005.00	3,305.10	172.60		3,477.70	3,477.70	YES
25 8/31/1999	Sales	175871	5/15/1998	120151	N	Thunder Mountain	Ingram Entertainment	1,800.00	3,294.00	172.76		3,466.76	3,466.76	YES
26 8/31/1999	Sales	203940	8/25/1999	120149	N	Kroppe Slicks	Ingram Entertainment	1,017.00	2,394.00	22.00		2,416.00	2,416.00	YES
27 8/31/1999	Sales	184701	8/25/1999	120148	N	The Pilot	Central Video	2.00	41.00			41.00	41.00	YES
28 8/31/1999	Sales	184701	8/25/1999	120147	N	Ebenezer	Drop Ship Dept.	2.00	2,379.78			2,379.78	2,379.78	YES
29 8/31/1999	Finance Charges	10514	10/31/1998	N/A	N/A	N/A	Paper/Pizza Entertainment	N/A	N/A	15.00		15.00	15.00	YES
30 8/31/1999	Finance Charges	9436	11/30/1998	N/A	N/A	N/A	N/A	N/A	N/A	16,105.12		16,105.12	16,105.12	YES
31 8/31/1999	Finance Charges	9312	10/31/1998	N/A	N/A	N/A	N/A	N/A	N/A	11,308.54		11,308.54	11,308.54	YES
32 8/31/1999	Finance Charges	9107	9/30/1998	N/A	N/A	N/A	N/A	N/A	N/A	9,160.70		9,160.70	9,160.70	YES
33 8/31/1999	Finance Charges	9087	8/31/1998	N/A	N/A	N/A	N/A	N/A	N/A	8,692.39		8,692.39	8,692.39	YES
34 8/31/1999	Finance Charges	8942	7/31/1998	N/A	N/A	N/A	N/A	N/A	N/A	8,092.11		8,092.11	8,092.11	YES
35 8/31/1999	Finance Charges	8811	6/30/1998	N/A	N/A	N/A	N/A	N/A	N/A	8,003.42		8,003.42	8,003.42	YES
36 8/31/1999	Finance Charges	8679	5/31/1998	N/A	N/A	N/A	N/A	N/A	N/A	1,715.56		1,715.56	1,715.56	YES
37 8/31/1999	Finance Charges	10058	5/31/1998	N/A	N/A	N/A	N/A	N/A	N/A	12,132.88		12,132.88	12,132.88	YES
38 8/31/1999	Finance Charges	9971	4/30/1998	N/A	N/A	N/A	N/A	N/A	N/A	12,116.64		12,116.64	12,116.64	YES
39 8/31/1999	Finance Charges	10511	11/30/1998	N/A	N/A	N/A	N/A	N/A	N/A	16,099.12		16,099.12	16,099.12	YES

EXHIBIT B

LOCKBOX DEPOSIT TESTING
PER AGED TRIAL BALANCE WITH OPTIONS - DETAIL / RECEIVABLES MANAGEMENT
DECEMBER 31, 2000 REPORT

<i>Pymt Rec'd Date per A/R Report</i>	<i>Amount Applied per AR report</i>	<i>Total Payment Received per Internal Spreadsheet</i>	<i>Total L/B deposit per NBOC Acct#609362-001 Statement Detail Report</i>	<i>Total L/B deposit per daily NBOC Fund Mgr Lockbox Availability Detail Report</i>	<i>Difference</i>
7/16/1999	\$ 478.48	\$ 956.96	\$ 956.96	\$ 956.96	-
7/20/1999	226.75	453.50	453.50	453.50	-
7/23/1999	1,177.75	2,355.50	2,355.50	2,355.50	-
7/27/1999	152.45	304.90	304.91	304.91	\$ 0.01
7/29/1999	166.35	332.70	332.70	332.70	-
7/30/1999	6,030.70	12,061.40			A
8/9/1999	872.43	1,744.86	1,744.86	1,744.86	-
8/19/1999	500.00	1,000.00	1,000.00	1,000.00	-
8/26/1999	3,151.21	6,302.42	6,302.42	6,302.42	-
9/21/1999	356.00	712.00	712.00	712.00	-
10/5/1999	42.30	84.60	84.60	84.60	-
10/18/1999	61.61	123.22	123.22	123.22	-
11/24/1999	400.00	800.00	800.00	800.00	-
12/28/1999	500.00	1,000.00	1,000.00	1,000.00	-
12/30/1999	925.38	1,850.76	1,850.75	1,850.75	(0.01)
1/18/2000	200.00	400.00	400.00	400.00	-
2/1/2000	1,438.32	2,876.64	2,876.64	2,876.64	-
2/29/2000	12.50	25.00	25.00	25.00	-
3/9/2000	42.98	85.96	85.95	85.95	(0.01)
3/13/2000	0.50	1.00	1.00	1.00	-
3/20/2000	260.71	521.42	521.41	521.41	(0.01)
4/5/2000	22.80	45.60	45.60	45.60	-
4/10/2000	0.50	1.00	1.00	1.00	-
4/28/2000	399.45	798.90	798.89	798.89	(0.01)
5/2/2000	2,748.75	5,497.50	5,497.50	5,497.50	-
5/8/2000	33.14	66.28	66.28	66.28	-
5/12/2000	150.00	300.00	300.00	300.00	-
5/15/2000	82.28	164.56			A
5/16/2000	543.15	1,086.30	1,086.30	1,086.30	-
6/1/2000	329.82	659.64	659.64	659.64	-
6/5/2000	37.21	74.42	74.41	74.41	(0.01)
6/7/2000	175.50	351.00	351.00	351.00	-
6/12/2000	0.30	0.60			A
6/12/2000	6,375.90	12,751.80	12,751.19	12,751.19	(0.61)
6/15/2000	4.36	8.72	8.71	8.71	(0.01)
Jun-00	148.78	297.56	297.55	297.55	(0.01)
6/23/2000	125.00	250.00	250.00	250.00	-
6/26/2000	62.25	124.50	124.50	124.50	-
7/6/2000	64.93	129.86	129.86	129.86	-
7/7/2000	22.57	45.14	45.14	45.14	-
7/10/2000	0.50	1.00	1.00	1.00	-
7/20/2000	25,000.00	25,000.00			A
7/24/2000	115.44	230.88	230.87	230.87	(0.01)
8/1/2000	39.47	78.94	78.93	78.93	(0.01)
8/4/2000	210.95	421.90	421.89	421.89	(0.01)
8/22/2000	139.68	279.36	279.35	279.35	(0.01)
8/22/2000	23.04	46.08	46.08	46.08	-
9/11/2000	257.01	514.02	514.01	514.01	(0.01)
9/18/2000	0.50	1.00	1.00	1.00	-
9/27/2000	658.25	1,336.50	1,336.50	1,336.50	-

EXHIBIT B

**LOCKBOX DEPOSIT TESTING
PER AGED TRIAL BALANCE WITH OPTIONS - DETAIL / RECEIVABLES MANAGEMENT
DECEMBER 31, 2000 REPORT**

<i>Pymt Rec'd Date per A/R Report</i>	<i>Amount Applied per AR report</i>	<i>Total Payment Received per Internal Spreadsheet</i>	<i>Total L/B deposit per NBOC Acct#609362-001 Statement Detail Report</i>	<i>Total L/B deposit per daily NBOC Fund Mgr Lockbox Availability Detail Report</i>	<i>Difference</i>
10/4/2000	62.27	124.54	124.54	124.54	-
10/11/2000	898.88	1,797.76	1,797.75	1,797.75	(0.01)
10/24/2000	2,829.00	5,658.00	5,658.00	5,658.00	-
10/30/2000	165.90	331.80			A
10/31/2000	31.28	62.56	62.56	62.56	-
11/21/2000	1,123.00	2,246.00	2,246.00	2,246.00	-
11/21/2000	49.85	99.70	99.70	99.70	-
11/27/2000	33.75	67.50	67.50	67.50	-
11/30/2000	52.95	105.90			A
12/6/2000	106.87	213.74	213.74	213.74	-
12/6/2000	71.07	142.14	142.14	142.14	-
12/20/2000	126.67	253.34	253.33	253.33	(0.01)
12/27/2000	50.47	100.94	100.94	100.94	-
12/28/2000	40.26	80.52	80.52	80.52	-
12/30/2000	55.85	111.70			A

A - As noted in the attached report, there were 7 cash receipts which could not be traced into either the National Bank of Canada Statement - Account# 609362-001 nor into a National Bank of Canada Fund Manager Lockbox Availability Detail Report. However, these cash receipts were noted as being applied to the "Aged Trial Balance with Options - Detail Receivable Management" report.

EXHIBIT C

WRS Motion Picture & Video Laboratory
Accounts Receivable Testing - OUTSOURCING FUNCTION

Invoice Date	Customer	Amount per "Detail Historicals" Aged Trial Balance Receivable Management"	Amount per Plaza Entertainment Invoice	Difference	Quantity/ Price Extensions Calculated Correctly
1 1/31/2000	Wax Works, Inc.	\$ 1,717.40	\$ 1,717.40	-	YES
2 3/20/2000	Video Products Distributors	79.55	79.55	-	YES
3 3/29/2000	Ingram Entertainment	57.79	57.79	-	YES
4 3/31/2000	Valley Media, Inc.	2,113.44	2,113.44	-	YES
5 3/31/2000	Baker & Taylor	156.91	156.91	-	YES
6 4/28/2000	Baker & Taylor	454.59	454.59	-	YES
7 5/31/2000	Wax Works, Inc.	159.77	159.77	-	YES
8 9/29/2000	Vision Video	2,019.00	2,019.00	-	YES
9 9/29/2000	Library Video Company	118.48	118.48	-	YES
10 10/23/2000	Movies Unlimited	132.08	132.08	-	YES
11 11/30/2000	Global Video, Inc.	80.52	80.52	-	YES
12 4/28/2000	Playboy Entertainment	129.47	129.47	-	YES
13 4/28/2000	Library Video Company	129.86	129.86	-	YES
14 1/31/2000	M.S. Distributing	792.00	792.00	-	YES
15 3/22/2000	Sight and Sound Dist.	131.72	131.72	-	YES
16 10/30/2000	Movies Unlimited	81.65	81.65	-	YES
17 4/20/2000	Baker & Taylor	141.09	141.09	-	YES
18 3/29/2000	Ingram Entertainment	14.94	14.94	-	YES
19 3/31/2000	Baker & Taylor	37.35	37.35	-	YES
20 3/31/2000	Baker & Taylor	49.38	49.38	-	YES
21 3/31/2000	Baker & Taylor	133.53	133.53	-	YES
22 4/28/2000	Playboy Entertainment	71.61	71.61	-	YES
23 4/28/2000	Baker & Taylor	557.81	557.81	-	YES
24 7/24/2000	Global Video, Inc.	109.55	109.55	-	YES
25 8/30/2000	Publishers Clearing Hs	4,860.00	4,860.00	-	YES

1
2 IN THE UNITED STATES DISTRICT COURT
3 FOR THE WESTERN DISTRICT OF PENNSYLVANIA

4
5 WRS, INC., d/b/a)
6 WRS MOTION PICTURE)
7 LABORATORIES, a)
8 corporation,)
9) Civil Action
10 Plaintiff,)
11) No. 00-2041
12 vs.)
13)
14 PLAZA ENTERTAINMENT,)
15 INC., a corporation,)
16 ERIC PARKINSON, an)
17 individual, CHARLES)
18 von BERNUTH, an)
19 individual and JOHN)
20 HERKLOTZ, an)
21 individual,)
22 Defendants.)

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1 J. Napor - by Mr. Sieminski
2 would you do with the videotapes? If that
3 never happened, that's fine.

4 A. Those are the tapes that would end
5 up on our website and they would be sold direct
6 to consumers individually in small quantities.
7 We really didn't have a mechanism to sell them
8 in large quantities.

9 MR. REILLY: Just for a point
10 of order or I guess a comment on that question,
11 it implies the ability to convey videotapes
12 along with the content on the videotapes, and
13 there is a potential problem in that the
14 copyrights held by the people who owned the
15 content may be violated by distribution by WRS.
16 They may have the right to buy a share of
17 sales, the tapes, but the only thing they could
18 do with them is watch them on television or
19 throw them away or sell them for scrap. That's
20 a legal opinion but that's a potential problem.

21 MR. SIEMINSKI: Off the
22 record.

23 (At this juncture, a luncheon
24 recess was taken.)

25 THE WITNESS: Talking about

1 J. Napor - by Mr. Sieminski

2 records, as I remember when John Herklotz came
3 in shortly after the bankruptcy, he came in, I
4 don't think you represented him, I don't
5 remember the guy's name but they came in to go
6 through, and we brought tons of stuff out
7 because it was freshly after this, and in
8 manufacturing you are asking about data. We
9 don't have data per job, we have data per
10 production. I have all kinds of records.

11 All that stuff we put in a
12 conference room, and they spent a couple of
13 days. At first we were making copies and I
14 said look, put it all in a box so we could get
15 it and I left them alone.

16 They were there for a couple days,
17 then the attorney left and John was there by
18 himself. Then John was coming back tomorrow.
19 As I recall he went out of town. He was
20 supposed to come back then a week or two later.
21 I don't think he did.

22 His attorney came back, and my
23 recollection is he took some stuff that he was
24 going to copy and return. Whether it came back
25 or not I don't recall, but I know that when we

1 J. Napor - by Mr. Sieminski
2 were looking to pull stuff together I don't
3 remember the specifics because that was four
4 years ago maybe, longer than that perhaps, but
5 it was a lot more voluminous than what we have
6 now. Whether it didn't come back or whether it
7 came back and we misplaced it or whether it got
8 misfiled or thrown, I don't know.

9 BY MR. SIEMINSKI:

10 Q. You are suggesting that Mr. Herklotz
11 took out of the facility or at least you are
12 suggesting the possibility that he took out of
13 your facility documents that were relevant to
14 this claim?

15 A. I don't know how relevant any of it
16 was, but what he was looking for was some
17 reason to try to get off the hook for it I
18 think and was looking for some problem in
19 there.

20 I don't know that he took them. My
21 recollection is, I mean I certainly am not
22 suggesting he would have taken them
23 deliberately to destroy them. Whether it was
24 him or his attorney or whatever, I just
25 remember we had more and I think it might have

1 J. Napor - by Mr. Sieminski

2 been the attorney that took something, copied,
3 whatever. Maybe they brought them back.

4 whatever it was I remember there was
5 a heck of a lot more than we seem to have now.
6 Those should be around someplace, perhaps with
7 his ex-attorney. I don't think any of them are
8 germane to the case.

9 MR. REILLY: Let me make a
10 statement. I think Jack has related to you
11 what he and I were talking a bit over lunch
12 about, the documents that Mr. Herklotz sought
13 or his counsel sought previously, and they seem
14 to be more voluminous than the box that I have
15 been able to gather together to bring here
16 which took me three or more trips to WRS to
17 get. We walked through the facility and pulled
18 out of different places the documents that are
19 here, so I think we have what is germane to the
20 cause, but Jack just thought there might be
21 more documents.

22 THE WITNESS: Everything that
23 is germane to the case, invoices and statements
24 and so forth, but you were asking a lot about
25 production and production records and keeping

1 J. Napor - by Mr. Sieminski
2 unwilling to provide any additional credit
3 beyond what we had done without payment
4 guarantees and additional documentation to
5 protect us.

6 Q. So you asked Plaza to submit an
7 account application, a copy of which is
8 appended to the Complaint as Exhibit A?

9 A. My recollection is that we wanted to
10 formalize what we were and put protections in
11 place because we were running into larger
12 amounts, larger credit amounts and credit
13 requests, so whatever we had was not adequate
14 to give us a comfort level to provide them any
15 additional credit.

16 Q. As of July 1998 was there a
17 substantial account receivable that was on your
18 books that you were concerned about?

19 A. As of this statement, Exhibit 3,
20 which was dated March --

21 MR. REILLY: That is '97. His
22 question was --

23 A. Isn't that what we are talking
24 about?

25 Q. Actually, I said as of July 1998.

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2 Mr. Reilly's observation, which I'm happy to
3 have you answer too, do you have any document
4 that you can refer to to tell me whether there
5 was an account receivable owed to WRS by Plaza
6 as of July 1998 and if so what was that amount?

7 MR. REILLY: May I show him
8 the Answers to Interrogatories which has the
9 documents in it?

10 MR. SIEMINSKI: Sure.

11 A. Can you repeat the last question
12 please.

13 (Last question read back.)

14 BY MR. SIEMINSKI:

15 Q. Sometimes the answer to a question
16 is I don't know. Apparently this is one of
17 those situations. I'm not trying to be overly
18 negative, but we have three people now poring
19 over an unorganized set of documents for ten
20 minutes and nobody can find the answer to the
21 question, so it may be here in this room and it
22 is your recollection you don't have an answer
23 to the question right now?

24 A. Okay. Yeah, we can't find what you
25 are asking for in July.

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2 on, but back at the plant --

3 Q. You are saying we would have to get
4 out a calculator and go from where you had your
5 finger up and add all those up?

6 A. I could find this equivalent, but I
7 do believe that in here we have those
8 statements, and the copy of the invoice that
9 Tom had asked about we gave John Herklotz that
10 whole file which included all of the actual
11 invoices that had been billed.

12 MR. GIBSON: I have seen it
13 somewhere in these documents for that period of
14 time.

15 BY MR. SIEMINSKI:

16 Q. Are you saying you gave it to him
17 and he didn't give it back?

18 A. I'm not sure what happened. The
19 actual copies, I pulled this stuff from our
20 files when he came in to look with his
21 attorney.

22 In the beginning I sat there while
23 they were going through and I said look, I got
24 other stuff I got to do, make yourselves at
25 home. There is nothing secret. I felt they

1 J. Napor - by Mr. Sieminski
2 were entitled to it. I think he in good
3 conscience was looking to confirm what did he
4 owe, and I think he was also looking for some
5 reason why he didn't have to pay it, so I just
6 made it available to him.

7 As I recall, he and his attorney
8 were out there, the attorney was with him a day
9 and a half or two days. John was there another
10 day on his own and then he expected to stay
11 there until he completed this, but then he said
12 he had to go back to California for something
13 and he would be back in a couple weeks and left
14 all the stuff out.

15 That got delayed a couple times and
16 I think his attorney came out one day. As I
17 recall, I think it was the attorney was going
18 to copy something, John may have, I don't
19 remember, but again they were all things that
20 could be manufactured. We knew what they were.
21 There is no magic about these numbers and
22 invoices and statements.

23 Over the time, and we haven't been a
24 fully functional business, it is a 200,000 foot
25 building with a lot of stuff in it and I have a

1 J. Napor - by Mr. Sieminski
2 handful of employees, we are liquidating
3 equipment, consolidating accounts, cleaning up
4 space so we can liquidate, and somewhere along
5 the line we have lost track of some of the
6 paperwork because I remember it being much more
7 voluminous than we have now, but I also don't
8 think there was anything in there that is
9 germane. I think we have all the important
10 stuff here.

11 Q. I honestly don't want to make this
12 into an exercise of looking through documents
13 for extended periods of time this afternoon --

14 A. I really appreciate that. Thank
15 you, sir.

16 Q. -- but is there any document that
17 you can put your hands on quickly here this
18 afternoon that would indicate that as of
19 August 31, 1998 Plaza owed a total of \$685,379?

20 A. How about this one that actually
21 shows that as of that date this \$720,679?

22 MR. REILLY: What you are
23 referring to is an account statement of
24 August 31, 1998; is that right?

25 A. I think what happened is we picked

1 J. Napor - by Mr. Sieminski

2 up a part of it that was in there in a couple
3 of accounts and part of it got into the service
4 agreement and I think we pulled this number out
5 for filing.

6 Q. Let's mark this as the next exhibit.

7 (Napor Exhibit No. 4 was marked
8 for identification.)

9 Q. To state the obvious \$720,679 is not
10 the same as \$685,379.

11 A. It is not. My expectation is that
12 when we picked up the figures we didn't add all
13 of the accounts together. It was again not
14 germane. The figures are what they are and
15 they are very easily documented and that would
16 be accurate.

17 If we didn't add all the accounts
18 together that would account for the shortfall
19 of \$31,000 or whatever the difference is,
20 \$35,000.

21 One of the things I was going to ask
22 if you can share with me is what point we are
23 trying to get to. If I understood what point
24 you are trying to get to, perhaps I could help
25 us circumvent some of the looking through all

1 J. Napor - by Mr. Sieminski

2 the papers and so forth.

3 Q. The point I'm trying to get to is
4 what documentation supports the amounts that
5 are in the Complaint, number one, and,
6 number two, I'm allowed to ask you any question
7 that gets to relevant or discoverable
8 information.

9 A. I'm not questioning your right to
10 it. I'm just trying to think of a way that
11 could save all of us some time. If we have to
12 go through all of that we have to. I'm not
13 questioning your right to ask anything. I'm
14 just trying to be helpful in helping you get to
15 the point in an easier way.

16 Q. I appreciate that. I'm not trying
17 to belabor it either and I'm not trying to be
18 cute or sarcastic --

19 A. I didn't think that at all.

20 Q. -- but I'm saying part of what I'm
21 thinking in the sense of, A, recognizing that
22 you are not a functioning business anymore but
23 recognizing too that there should be a document
24 trail, based on your prior testimony there
25 should be in support of this \$685,000 figure in

1 J. Napor - by Mr. Sieminski

2 Paragraph 19 of the Complaint a set of orders
3 that reflect that, production work orders that
4 reflect that, shipping orders perhaps that
5 might reflect at least the number of videotapes
6 that were attendant to that figure, and then
7 finally there should be invoices that support
8 that amount. Maybe all that documentation
9 exists and maybe it is all in the room, but it
10 is not here in one neat package and that's part
11 of what I'm trying to get to.

12 A. The reason it is not part of one
13 neat package, John, is that there were lot of
14 people who have been through it including
15 Mr. Herklotz and his attorney in the beginning,
16 and this stuff has been shuffled back and forth
17 and moved and disorganized and I haven't taken
18 the time to put it in, and I thought once we
19 gave you what you asked for perhaps one of your
20 staff would have put it together sequentially
21 by date.

22 we did provide copies of all the
23 invoices and Plaza has received statements from
24 the time this was going on, '97, '98, '99,
25 2000. If there were any questions of accuracy

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2 or anything like that they certainly had the
3 ability and the option to question it.

4 There also is a statement in terms
5 and conditions that says anything billed or
6 shipped in error you have a ten-day time to go
7 back and get to us and we haven't held that
8 ten-day time, but to go back seven years later
9 and question how many dubs did we ship and on
10 what date, that seems very ludicrous to me and
11 just a waste of time and trying to bury us in
12 documentation.

13 We are still a functional business
14 but we aren't functioning on anywhere near the
15 levels that we had been back then, and one of
16 the reasons that we are in the situation we are
17 in is because your people didn't pay.

18 Q. I appreciate that, and in the sense
19 of being buried in documents I am the one that
20 is buried. I'm buried in your documents. I'm
21 going to have to lodge an objection to that
22 characterization.

23 A. What you are asking for is a whole
24 lot of additional paperwork. To what point
25 when you are asking for every individual

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2 quickly after that, like within a few months,
3 it was determined that that really wasn't the
4 case. Plaza had been collecting and providing
5 credits and taking returns and the real balance
6 was much less. I'm not sure what the final low
7 number was, but it was something like \$190,000
8 supposedly, but even that was phantom because
9 the people who allegedly owed the money
10 disagreed.

11 Q. Do you have any recall about a
12 specific dollar figure that was owed by Plaza
13 to WRS as of the date of the Services
14 Agreement?

15 A. Well, excluding interest at that
16 point it was probably \$1,250,000 or more.

17 Q. \$1,400,000?

18 A. \$1,250,000 is my recollection.

19 Q. And that doesn't include interest?

20 A. No.

21 Q. Do you have an understanding or a
22 recollection as to the number of videotapes
23 WRS had reproduced on Plaza's account as of
24 October 12, 1998?

25 A. I don't, but the Grisly Mountain

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2 A. Yes.

3 Q. Do you have an understanding as to
4 the total amount of money that was deposited
5 into the lock box account?

6 A. I don't.

7 Q. Do you have any sort of order of
8 magnitude, are we talking \$10,000, \$50,000,
9 \$100,000, \$200,000?

10 A. Much smaller than that. I believe
11 that in the records that you have someplace we
12 have notes and you have a list of that, but
13 there was not a time when we were able to
14 collect the \$6,000 services bill, monthly
15 services bill that had been agreed to.

16 Q. Speaking hypothetically, would the
17 best case scenario as of October 1998 be that
18 you had a large number of videos that you had
19 duplicated and those videos were, based on your
20 testimony as I heard it, and you can correct
21 this, but as I heard it in two locations,
22 either in inventory or had been sent to the
23 retailers.

24 The best case scenario would be all
25 of the videos that were sent to the retailers

1 J. Napor - by Mr. Sieminski

2 the ones the retailers didn't ship went to
3 Plaza's return center and Plaza in turn sold
4 and shipped to fill other orders from the
5 return center.

6 Monies that came in came in to Plaza
7 and was spent by Plaza. We didn't see that.
8 That money was what constituted the over
9 \$2 million number of receivables that kept
10 getting reduced down to the point where when we
11 got into it as I say I believe it was under
12 \$200,000.

13 Q. Was the intention as you understand
14 it in the Services Agreement that any return
15 after the date of the Services Agreement would
16 be sent to WRS for handling, any returned
17 video?

18 A. I'm not sure whether this, I can't
19 tell you when they shut down their return
20 center. I don't recall that. I don't know if
21 their return center still existed at the time.
22 I believe that the returns would have gone
23 there. I see here I said \$1,250,000.
24 Apparently that is wrong. It is --

25 Q. 685,000?

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2 A. That doesn't sound right.

3 Q. Well, that's what the document says.

4 A. Yes. Also subject to review and
5 verification thereof. I believe what that was
6 about is that Eric wanted to go over what was
7 owed and maybe that is why this account is
8 stated lower.

9 They also had a couple of different
10 accounts. The main Plaza account was one.
11 They had a couple of accounts that were for
12 other pictures that Plaza was distributing and
13 covering the cost of.

14 Q. Is the lock box account still open?

15 A. I'm sorry --

16 Q. Is the lock box account still
17 active?

18 A. No. There were costs and fees
19 connected with it.

20 Q. This is not a big deal but you had
21 mentioned a fee of \$6,000 I think. The
22 Services Agreement on the second page refers to
23 \$5,000.

24 A. Okay, then it was \$5,000 a month. I
25 was incorrect about \$6,000.

1 J. Napor - by Mr. Sieminski
2 the documents that were in response to
3 Interrogatory No. 16 that we are looking at.

4 Again, my first question is did you
5 prepare these documents or did someone else?

6 A. Someone else did.

7 Q. Can you use this set of documents to
8 provide the answer to the question that was
9 asked in Interrogatory No. 16, really two
10 material questions, one, the amount and date of
11 each deposit and the date and amount of each
12 disbursement?

13 Stated in plain English, I interpret
14 this question as asking what came into the lock
15 box and what went out?

16 A. Well, these documents appear to show
17 that.

18 Q. Can you interpret them for me.

19 A. The date on the left would appear to
20 be dates for deposit of the lock box.

21 The total deposits would be the next
22 column.

23 The third column would be the WRS
24 share.

25 The next column would be the

1 J. Napor - by Mr. Sieminski

2 invoices that the payments were for.

3 Next would be the Plaza
4 Entertainment share.

5 The final column would be the date
6 that it was posted to Plaza's account.

7 Q. So deposits to the lock box appear
8 by virtue of this document to have started on
9 July 13, 1999 and ended May 4, 2001?

10 A. That's what it appears to be.

11 Q. On my copy there is a total on the
12 last sheet that pertains to this interrogatory
13 answer. There is a copy of a tape and I
14 actually have a tape here (indicating).

15 Do you know what the tape purports
16 to be or the copy of the tape?

17 A. I don't. It doesn't appear to be
18 reflective of the total that this would amount
19 to.

20 Q. What is the total that this amounts
21 to?

22 A. I don't know, it is not totalled,
23 but the tape says \$65,000 at the bottom there.
24 I think that's far more than I'm aware of that
25 was ever collected and I'm wondering if the

1 J. Napor - by Mr. Sieminski

2 tape isn't from something else, but I can't
3 really tell you.

4 MR. REILLY: Can I see the
5 tape you have.

6 BY MR. SIEMINSKI:

7 Q. Let's take a look at Interrogatory
8 No. 19 please. The question is, "Please state
9 the names and addresses of all customers who
10 purchased the video "Giant of Thunder Mountain"
11 from either Plaza or WRS. For each customer,
12 please state the number of videos purchased,
13 and the purchase price."

14 Again, there is a reference to
15 documents. The first page in the section
16 pertaining to Interrogatory No. 19 is a
17 relatively short itemization that starts Giant
18 of Thunder Mountain and there are dates on the
19 left, quantities, length, packaging, work order
20 with a column for a number of work order
21 numbers and version, and that identifies the
22 number of customers, Movie Galary, Genuardi's,
23 BJ's wholesale, Albertson's, et cetera?

24 Do you see that?

25 A. Yes.

1 J. Napor - by Mr. Sieminski

2 Pleas that involve WRS or you personally?

3 A. Related to what?

4 Q. WRS?

5 A. We still have some other suits out
6 there in addition to this to collect money.

7 Q. Are there any where WRS is the
8 defendant?

9 A. Being sued for collection?

10 Q. Being sued for any reason.

11 A. No. We have an issue that relates
12 to our billing that involves me and WRS and
13 Summit. We have come to a negotiated agreement
14 with that, but that would still be in court.

15 There is a situation where an
16 insurance vendor is claiming that we owe them
17 money and suing us for money for something that
18 we did not order, a small amount suing me
19 personally. Any other amounts relate to us
20 actively pursuing other creditors.

21 Q. Just a couple more. Those are all
22 the questions I have for now. I reserve the
23 right to ask additional questions in follow-up
24 after Mr. Gibson gets his opportunity to ask
25 you questions.

1 J. Napor - by Mr. Gibson

2 -----

3 EXAMINATION

4 BY MR. GIBSON:

5 Q. I just have a few quick ones. Your
6 Interrogatories indicate the period of
7 17 months at \$5,000 a month that you are due
8 under the Services Agreement; is that correct?

9 A. Yes, but I don't believe any of
10 those months have been billed and so none of
11 them are reflected in the billings.

12 Q. What period of time were those
13 17 months, from the date of the Services
14 Agreement forward 17 months?

15 A. Yes, that would be my --

16 Q. So October 1998 to roughly
17 March 2000; would that be right?

18 A. February perhaps, but approximately.

19 Q. In your bankruptcy disclosure
20 statement your counsel indicates there were
21 problems with your software systems and
22 manufacturing software and one another. The
23 problems continued for an extended period of
24 time including 17 months when WRS was unable to
25 send clients statements of their accounts and

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2 where account balances were sometimes in two or
3 more independent and incompatible software
4 systems.

5 What period of time was that
6 17 months?

7 A. From the time we went on the new
8 system, which would have been January 2000, to
9 sometime late spring 2001.

10 Q. Say May 2001?

11 A. Somewhere in that ballpark, yes.
12 But again those computer issues have nothing to
13 do with, couldn't possibly have anything to do
14 with any of the accounts we are talking about
15 here of Plaza. In fact, both at 17 months just
16 happens to be a coincidence. There is no
17 correlation between those or the time frames.

18 Q. Page 1 of the document that was
19 attached to Answer to Interrogatory No. 1, it
20 says Plaza Entertainment on the top and then it
21 has listed Origin, Type, Document Number,
22 Check Number, Due Date, Audit Trail Code,
23 Batch I.D. and Currency I.D., and then down
24 below it has Document Date, Description,
25 Discount Amount, Writeoff Amount, Document

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2 Amount and Amount Remaining.

3 Going to the item Invoice 175711,
4 which it looks like the numbers are circled, it
5 has a document amount \$66,031.68 due and then
6 it has amount remaining \$583.73. That's the
7 same invoice number mentioned in this LA Lock
8 Box WRS, Inc. for Plaza Entertainment which is
9 attached at Answer to Interrogatory No. 16 for
10 lock box amount. There appears to be a
11 printout that we discussed earlier with the
12 numbers \$65,528.31 which roughly correlates
13 with the difference between the amount
14 remaining and the document amount.

15 Do you know if that \$65,000 was
16 collected and where it went because the
17 printout only shows that --

18 A. I'm sorry, John, I'm not
19 understanding your question.

20 Q. It seems to show on this Answer to
21 Interrogatory No. 1 that there was an amount
22 due of \$66,031.68 and then it has an amount
23 remaining which, unlike most of the other
24 entries, are the same. This one shows only
25 \$583.73 remaining out of the \$66,000 and it

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2 appears to correlate the invoice number with
3 the amount paid into the lock box except that
4 the amount accounting for what was paid into
5 the lock box appears to be only a few thousand
6 dollars and the difference between the \$66,000
7 and the \$583 seems to be about \$65,000.

8 A. I don't have an explanation, but I
9 don't recall collecting anything like that from
10 Plaza in recent times. I can't explain that.

11 Q. What specifically were the problems
12 with the new software? The disclosure
13 statement indicates, "Billing was laborious
14 rather than automatic, requiring significant
15 manual intervention and invoicing for some
16 client's projects got as far as five months
17 behind. The invoices contained frequent
18 errors, one of which used the ordered item's
19 product numbers as the selling prices if the
20 order entry operator originally entered the
21 order too fast. The problem couldn't be
22 detected until the invoices were completed.
23 The errors weren't always detected in house,
24 and the errors both under and over billed these
25 clients. One of the errors added 0s

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2 unpredictably to either the quantity of
3 products ordered or to the unit prices,
4 inflating the value of invoices in the process.

5 "virtually all clients who were
6 over-billed caught the error(s) and requested
7 corrections, delaying WRS' cash receipts. That
8 was very critical, since WRS' bank was
9 concurrently reducing WRS' credit lines. Most
10 clients who were under billed processed the
11 invoices for payment as they were received
12 resulting in greatly diminished revenues to
13 WRS."

14 Is that accurate, what that
15 disclosure statement said with the software
16 system?

17 A. Yes, those were some of the
18 difficulties with it.

19 Q. When you were sending out these
20 invoices, and some of these under Plaza
21 indicate they were under your old accounting
22 system Dovenet?

23 A. Dovenet was the new system.

24 Q. That was the new system, I'm sorry.

25 A. But the new system didn't become